

News

ICRA reaffirms `A- (stable)` & `A1` on Omnitech

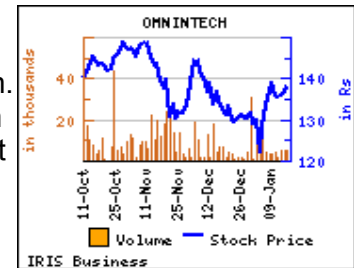
Credit rating agency, **ICRA** has reaffirmed A- rating assigned to the Rs. 760 million (enhanced from Rs 320 million) long-term fund-based facilities and Rs 1.5 million term loans of **Omnitech InfoSolutions (Omnitech)**.

ICRA has also reaffirmed its rating on the Rs 90 million (Rs. 80 million earlier) short-term fund based facilities and Rs. 460 million (from Rs 100 million earlier) short-term fund-based facilities at A1. The outlook on the long-term rating is stable.

Of the Rs 760 million fund based facilities, Rs 670 million limits are interchangeable between long-term and short-term exposure such that the total utilization does not exceed Rs 670 million.

The ratings reaffirmation takes into account the comfortable financial risk profile and healthy growth in operating income in FY 2011 as well as H1, FY 2012.

The ratings continue to factor in the more than two decades experience of the promoters in the IT business supported by an experienced management team. ICRA also notes Omnitech's strong presence in the SME segment with focus on managed infrastructure services supporting the strong revenue growth in current and past financial year; the increased outsourcing trend towards remote infrastructure management (RIM) services within managed infrastructure services is expected to aid profitability and revenue growth in future.



The profitability remains comfortable supported by presence in high margin business segments such as remote infrastructure management services, application services and disaster recovery services.

The strengths are partially offset by moderately high customer concentration with around 53% of revenues contributed by top 10 customers, high dependence on BFSI vertical and increase in working capital borrowings to support growth.

ICRA also notes the higher-than-expected decline in operating profitability in H1, FY 2012 following the below par performance of its acquisition during the period.

Turnaround in performance of the acquire would be crucial for improving operating profitability, nevertheless, at a consolidated level, the acquired subsidiary's revenues (around Rs 600 million) are relatively smaller and profitability is expected to remain comfortable in view of the robust standalone performance.

Despite the decline in profitability and increase in borrowings levels to support organic and inorganic growth, the debt metrics remain healthy. Going forward too, the financial risk profile is expected to remain adequate, though any significant inorganic debt funded initiatives on top of its organic capital expansion plans could put pressure on the capital structure and hence the debt metrics.

On the operational front, the deteriorating macro-economic environment, international as well as domestic and increasing competition from other well established and larger players in the industry are expected to remain as key challenges for maintaining profitability and growth.

Recent results:

As per its consolidated unaudited results for H1, FY 2012, Omnitech reported profit after tax of Rs 261 million over an operating income of Rs 2.41 billion.

Shares of the company gained Rs 2, or 1.45%, to settle at Rs 140.00. The total volume of shares traded was 7,534 at the BSE (Wednesday).